

court. If you are unsure of the type of bankruptcy petition filed or the loan's eligibility for discharge, you should consult with your institution's attorney.

If the institution has received documentation that the bankruptcy petition has been dismissed, the account is eligible for assignment. All bankruptcy and dismissal documents must be included with the assignment submission.

If the institution receives a petition for bankruptcy after the Department has accepted the loan for assignment, the notice must be forwarded to the Processing Division, Perkins Loan Assignments in San Francisco *see Appendix A, Information Sources for further information*.

A discharge in bankruptcy prevents further enforcement of the obligation against the borrower. Any cosigner is still legally responsible for the debt. The institution must perform all due diligence requirements with respect to the cosigner prior to attempting assignment to the Department.

Note: See CFR 34, Section 674.49 of the Perkins regulations and Volume 6, Chapter 5 ("Perkins Cancellation") of the Federal Student Aid Handbook for more specific information about bankruptcy.

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Assignments at a Glance

	MANUAL Assignment Submission	ELECTRONIC Assignment Submission (PLAS)
Required for ALL loans:		
Assignment Forms	Complete Federal Perkins Loan Program/NDL Assignment Form (OMB 1845-0048). The form is in two parts: a. Complete one Institutional Certification page for each assignment submission package. b. Complete one Borrower and Loan Information page for each loan.	Complete Federal Perkins Loan Program/NDL Assignment Form (OMB 1845-0048) information online: a. An automated certification process is built into the on-line submission process. b. Complete Borrower and Loan Information for each loan. Can be done one-by-one by data entry, or in batches by batch file upload.
Assignment Manifest	Create an assignment package manifest to be submitted with each assignment package. a. A manifest listing the loans being submitted for assignment must accompany each assignment package. b. Please see Section C of the Institutional Certification page of the Perkins Assignment Form (OMB 1845-0048) for detailed instructions on the contents and format of the manifest.	A manifest will be created for you by the system. a. This manifest will need to be attached to the hard copy original or certified true copy promissory notes and any supporting documentation mailed to ECSI.
Original Promissory Note	Provide hard copy original or certified true copy promissory note for each loan.	Promissory note may be uploaded electronically; However, the hard copy original or certified true copy promissory note must be mailed in as well.
Repayment Records	Provide a copy of the student's loan repayment record history with each loan.	Upload or mail a copy of the student's loan repayment record history with each loan.

Required ONLY for the circumstances noted:

Disbursement Records	Disbursement records are only required when an MPN is used.
Bankruptcy Documents	Please see the Bankruptcy Information section for further details and documentation requirements for loans involved in bankruptcy.
Original Judgment Documents	ONLY required if school has taken or initiated legal action against a borrower. See Judgment Information section for documentation details.

Loan Categories for Assignment Processing

Divide all loans into separate groups if liquidating as follows:

Whether using the paper process, online or batch processing, loans being submitted for assignment due to liquidation should be separated into categories:

- Non-defaulted loans divided and clearly marked into these categories
 - grace period
 - forbearance

- deferment
- enrolled and in attendance at a school at the time of liquidation
- in repayment
- Loans under rehabilitation agreements - If a borrower has made payment arrangements with the school for the purposes of rehabbing a loan, the loan must be separated and the agreement must be attached to the supporting documentation for that loan submission in order for the Department to honor such agreement.
- Pending bankruptcy - If a school receives notification that a bankruptcy petition has been filed prior to the time the school submits the loan to the Department, this would result in an automatic rejection from the Department.

Do not include a default date on the assignment form for non-defaulted loan categories.

Mailing Instructions

Loan assignment packages, the paper promissory notes and any other supporting documentation *for assignments submitted electronically* must be sent by REGISTERED MAIL to the Federal Perkins Loan Servicer (ECSI) at the below address. All paper documents required for the assignment process (e.g., original promissory notes, and *if paper process—completed assignment forms, submission package manifest*) MUST be included.

Send by registered mail to:

ECSI Federal Perkins Loan Servicer
100 Global View Drive, Suite 800
Warrendale, PA 15086

Status of Assignment

Loans Accepted

Official Notification of Acceptance: When manual paper assignments are accepted, the institution will receive a document identified as "**Perkins Load Database Report**" via email. This report provides borrower identification information, school identification information, and outstanding principal, interest and fees accepted for assignment by the Department. This is the official acceptance notice and should be retained in the school's records.

Hard copies of the acceptance notices (Perkins Load Database Reports) may be sent to the school's address provided in the school's program participation agreement. The institution should ensure that its mail distribution staff becomes familiar with these notices and the offices to which they should be distributed.

NOTE: Schools that use PLAS for electronic submission can access information about accepted and rejected assignments through PLAS. These reports can be viewed on-line or printed from PLAS.

Loans Rejected

For Perkins Loans rejected for assignment, the Department will provide the school with the reason(s) for rejection; if the school can resolve the issue(s) it may resubmit the loan for assignment. For most problems, this process may enable a school to correct the deficiencies and resubmit the rejected loans. The Department will work with the school to assist in resolving issues.

Loan Payments Received after Loan Assignment

Before loan has been accepted

If the loan has been submitted but not yet accepted and the school receives a payment, the school should deposit the funds immediately into its Perkins Program Fund and await official notification of acceptance. Upon acceptance of the account, the institution must issue a check to the Department, including the borrower and loan information noted above so that the borrower records can be updated to reflect payment.

After loan has been accepted

Any payment the school or its servicer receives from a borrower after the borrower's account has been submitted to the Department for assignment and accepted by the Department, should be forwarded as soon as possible, to:

Department of Education
ECSI Federal Perkins Loan Servicer
P.O. Box 105765
Atlanta, GA 30348-5765

Note: Courier services do not deliver to postal boxes so we recommend using the United States Postal Services registered mail.

Each payment submission must clearly identify the borrower's full name, Social Security Number, and the type of loan to which the payment is to be applied.

Once an account is submitted for assignment, it becomes the property of the Department and will only be returned to the institution for deficiencies related to its submission. Therefore, an institution should not contact the Department to request the return of a submission because a borrower has made a payment to the institution.

Collection Fees

Any collection agency fees that are deducted from payments received after account submission to the Department are the sole responsibility of the institution and may not be charged to the program Fund. The entire borrower payment must be forwarded to the Department.

Additional Important Assignment Information

Loans with Balance of Less than \$25

An account may not be assigned if the total amount outstanding is less than \$25, unless the borrower has more than one loan (NDSL, Defense, Federal Perkins) that when combined, total \$25 or more. The following are special instructions for assigning loans of different types of less than \$25 that, when combined, equal at least \$25:

- Complete the Borrower and Loan Information page of the Perkins Assignment Form for each loan,
- Package all loans (or supporting documentation for loans submitted electronically) for that borrower together, and
- Include a clarifying statement explaining the combination of loans being assigned.

Borrower with more than one loan to assign

If a borrower has more than one loan being assigned, separate supporting documentation must be included for each loan. To expedite the review process and reduce the number of rejected

assignments, the title of each required document in the assignment package (except for the original promissory note and the Perkins Assignment Form) should be included at the top of each document.

Items being submitted that require clarification

If there are items in the assignment submission package that need clarification or justification (for example, the school made a disbursement after the departure date), a written explanation should be included with that loan's documentation. Explanations concerning missing or defective promissory notes, missing or incomplete bankruptcy information, or missing or incomplete judgment information require formal approval by the Department (see Appendix A, Information Sources).

Who to Contact with Assignment Questions

Issues with Specific Assignments

Questions pertaining to the status of your assignment submissions, or the correction of pending submissions, may be directed to:

ECSI Federal Perkins Loan Servicer
(844) 301-2620
productionprocessing@efpls.com

To Check on Assignments Submitted

To follow up on accounts submitted more than 60 days previously using the paper process, please email productionprocessing@efpls.com. In order to verify the submission, the email must include the student(s) name(s) and Social Security Number(s) in an encrypted file.

All inquiries must include the school's Name and OPEID.

STEP 4: PURCHASE LOANS

A school may be required to purchase loans that the Department will not accept for assignment. *Note that an account may not be assigned if the total amount outstanding is less than \$25, see previous section.*

When is a school required to purchase loans?

The Department will not accept a loan for assignment if the promissory note is missing or unsigned (see exception for using a "Certified True Copy" under Missing Promissory section above). All accounts deemed unenforceable by the Department will be rejected for assignment and returned to the school for purchase.

How does a school purchase loans?

CFR 34, Section 674.50(g) of the Federal Perkins Loan Program regulations requires that the school reimburse its program Fund for the entire portion of the outstanding principle balance (OPB) plus any accrued interest on a loan the Department determines is unenforceable.

Any open loans that cannot be assigned and for which the OPB plus interest was not previously reimbursed to the Fund and therefore not reported previously on the FISAP as part of the school's cash on hand amount will be assessed by the

Purchase Loans

Reimburse the Program Fund for the entire portion of the outstanding balance plus any accrued interest on a loan. **Do not send payment directly to the Department.** Once the liquidation of the portfolio is completed, the Federal portion of the remaining, Program Fund will be required to be paid.

Department. This assessed amount for the OPB plus interest will be added into the total cash asset during Phase 3 of the Perkins liquidation and closeout process within eCB. Before a school updates any records in NSLDS to purchased, the Department will need to know the school is purchasing loans not previously reported so the Department can obtain the list of purchased loans from NSLDS prior to the update of these loans. Once liquidation of the portfolio is completed, the Federal share of the remaining, program Fund will be calculated. Phase 3 of the Perkins liquidation and closeout process calculates the Federal and institutional shares of the remaining cash asset, which would include any assessed liability for unassignable loans. The Federal share will be required to be paid to the Department.

Reporting school-purchased loans on the FISAP

Reimbursements or deposits a school makes on unassignable loans into its program Fund are considered cash-on-hand and are reported on the FISAP in Part III, Section A in Field Item 1.1 or 1.2. Funds deposited into a school's program Fund for the purpose of purchasing unassignable loans, are documented on the FISAP in the same way as for funds received from a borrower's repayment of a loan balance. At year-end reporting on the FISAP (6/30 or 10/31), the school simultaneously reports the principal (Field Item 5) and the interest (Field Item 31). In most cases, e.g., schools liquidating and closing out their program, schools would report the full purchase price, including interest, when it submits its final data through the closeout process in eCB.

The school will reclaim its share of the reimbursed amount when the final capital distribution occurs during the closeout process within eCB via the Perkins Liquidation module.

Reporting school-purchased loans on NSLDS

Once a loan has been purchased by the school, the Department transfers all rights, title and interest of the United States in the loan to the school for its own account. School purchased loans must also be properly accounted for and updated in the National Student Loan Data System (NSLDS).

STEP 5: UPDATE NSLDS

A school must update Perkins loan records in NSLDS.

Under Title IV, Part F, Section 485(c) of the Higher Education Act of 1965, as amended (HEA), schools are required to report new loans or update data on existing loans to NSLDS. For the purposes of Perkins liquidation and closeout, schools must ensure that all outstanding Perkins Loans are properly accounted for and updated in NSLDS—NSLDS must reflect that all borrower loan accounts for a liquidating school are retired, accepted for assignment by the Department, or purchased by the school.

It is a school's responsibility to ensure the required reporting to NSLDS (which includes Perkins Loan account detail) is completed on time and accurately. A school must complete its NSLDS reporting requirements in accordance with the instructions in the NSLDS Enrollment Reporting Guide and the Perkins Data Provider Instructions. **Schools that utilize a third party servicer for billing, collecting and reporting should communicate these requirements to its servicer.**

Reporting Loans Accepted for Assignment

Once a loan is officially accepted for assignment, the school must update the loan in NSLDS to show that it is "transferred for assignment". This is done by using the **transfer code "AE"** in **Field Code #263**. (This will release the loan and enable the Department to report on it.)

When reporting loans as "AE" or transferred to the Department, the Date of Loan Status field (Field Code #262) should match the loan "certification date" used on the assignment form (Certification,

Section B, Item 12) for the loan when it was submitted to the Department for assignment using the paper form. For schools using PLAS, this date would be the date the submission was made electronically.

IMPORTANT: Once the loan is reported with the "AE" transfer code, the school or its servicer should not report on that same loan again.

A note about the transfer process in NSLDS: Although loan transfer codes use the loan status code field (Field Code #263) on the Database Extract File, they are NOT loan status codes and do not update the loan status code fields in NSLDS. Instead, they indicate that the loan was assigned, accepted and now in transit to the Department. The loan is officially transferred when the Department's servicer reports on the loan. If the previous data provider (the school) reports the loan with a non-transfer loan status before the Department reports on the loan, NSLDS will assume that the transfer request was incorrect and the loan would be retained by the previous data provider (the school).

It is both the "AE" transfer code and the correct "certification date" as the Date of Loan Status that when reported correctly during the update to NSLDS, allows for a seamless transfer of the loan from the school to the Department. Once notified of successful reporting, the school or its servicer must stop reporting the loan to NSLDS. Whoever does the reporting to NSLDS for the school should be familiar with these reporting requirements as well as the Perkins Data Provider Instructions to ensure any errors that are reported are being corrected by the originating data provider.

Reporting Loans Purchased by the School

After the program Fund is reimbursed for any defaulted and/or non-defaulted unassignable loans that a school has purchased, the school must report these loans to NSLDS as "UC" (Non-defaulted Loan Purchased by School) or "UD" (Defaulted Loan Purchased by School). These status codes would be reported in the Loan Status field (Field Code #263).

STEP 6: PERKINS CLOSEOUT AUDIT

The school must schedule the Perkins closeout audit and provide a copy of the audit to Department when completed. A Perkins closeout audit is required as part of the liquidation process.

Brief Overview of the Perkins Audit Requirement

- Not-for-profit schools that qualify and report annually under the Single Audit Act may elect not to have an independent Perkins audit done, and instead include the Perkins closeout audit with the school's regular annual audit.
 - The Perkins Loan liquidation audit requirement is now included in the OMB Circular A-133 Supplemental under Program Clusters.
 - School auditors should be told that the Perkins closeout audit must be completed with the annual audit.
- Schools that do not report under the Single Audit Act must submit a letter of engagement for an independent audit within 45 days after the school ends participation in the Perkins program.
- A copy of the completed audit is to be emailed to the Department at perkinsliquid@ed.gov no later than 90 days after the school ends participation in the Perkins program (the 90-day time frame does not apply to schools that report under the Single Audit Act).

General Requirements

34 CFR, Section 668.26 requires that a school submit a letter of engagement for an independent audit of all funds that the school received under the program to the Secretary within 45 days after the school's participation ends. A school's participation in the Perkins Loan Program is considered to have ended once all outstanding loans in its portfolio have been fully retired, assigned and accepted by the Department, or purchased. The engagement for the independent audit shall include the requirements prescribed in this step of the liquidation procedures. The results of the Perkins Program Closeout Audit (closeout audit) must be submitted to the Department once a report is finalized. Institutions that are liquidating their Perkins Loan portfolio and program Fund must account for the program funds as outlined under these procedures.

Schools that qualify and report annually under the Single Audit Act, commonly referred to as the OMB A-133 audit, should consult with their auditor and refer to the information contained in the Department's Audit Guide Supplement.

Specific Requirements

The auditor will verify the information below and determine whether the institution ceasing its participation in the Perkins program has properly performed its end-of-participation responsibilities. The results must be forwarded to the Department in a written report (see Coverage section below).

For an institution that ends its participation in the Perkins Loan Program, the institution is responsible for returning any unspent funds (34 CFR Section 668.14(b)(25)) and required to perform the following end-of-participation procedures in which it must:

- a) notify the Department via e-CB of the intent to stop participating in Perkins (34 CFR Section 668.26(b)(1));
- b) inform the Department of how the institution will provide for the collection of any outstanding loans made under the program (34 CFR section 668.26(b)(4));
- c) purchase any outstanding loans left in its Perkins portfolios or assign them to the Department (34 CFR Sections 674.8(d), 674.17(a)(2), and 674.45(d)(2)); and
- d) maintain program and fiscal records of all Perkins funds since the most recent Fiscal Operations Report (FISAP) was submitted, and reconcile this information at least monthly (34 CFR Section 674.19(d)).

Timing

The closeout audit report should be submitted to the Department within **90 days** of the end of the school's participation in the program. A school's participation is considered to have ended once all outstanding loans in its portfolio have been fully retired, assigned and accepted by the Department, or purchased. This time frame permits 45 days for the school to engage an independent auditor and an additional 45 days for preparation and submission of the audit report.

Schools that qualify and report annually under the Single Audit Act are not subject to the 90-day deadline if their audit is scheduled to take place at a later date. **However, schools should communicate to their auditors that they are liquidating and discontinuing their participation in the Federal Perkins Loan Program and will be required to provide a closeout audit.**

Coverage

The audit report shall cover the school's Perkins program activities when it ends its participation in the program; in most cases this would be since its last reported FISAP and through the completed liquidation of its Perkins Loan portfolio and program Fund. The objective is to determine whether the school has properly performed end-of-participation procedures.

Procedures

- a. If the institution has completed the liquidation of its Perkins loan portfolio, verify that the institution has either purchased or assigned to the Department any Perkins Loans with outstanding balances.
- b. If the process of liquidating outstanding loans has not been completed, verify that the institution has informed the Department of how the institution will provide for the collection of the outstanding loans made under the program. *Note: A school must purchase any outstanding, unassignable loans.*
- c. Verify that the institution, as part of its procedures for maintaining program and fiscal records for all transactions that occurred after the most recent FISAP was filed, reconciled the following information:
 - 1) All loans for the total number of borrowers that make up the portfolio have been accounted for. This includes:
 - a. Retired loans, including loans purchased
 - b. Loans assigned to the Department, including validation of the computed accumulated interest charged on the loans
 - 2) Service cancellation data in Section A and all of the data in Section C of Part III of the school's latest submitted FISAP
 - 3) The Federal Capital Contribution (FCC)
 - 4) The Institutional Capital Contribution (ICC)
 - 5) Overall cash on hand or excess cash amounts

Note: This overall cash on hand amount could include payment to the Fund for any loans the school may have purchased.

IMPORTANT: Any data found to be inaccurate on the latest submitted FISAP must be corrected and re-submitted to the Department. The school can submit a change request through eCB indicating it needs to amend the FISAP data for the purposes of liquidation.

SFA Audit Guide

The SFA Audit Guide and subsequent procedures and letters providing further guidance can be found on the Office of Inspector General's web site at:
<http://www.ed.gov/about/offices/list/oig/nonfed/sfa.html>.

Audit Report Submission

A school must send an electronic (.pdf) copy of the closeout audit or portion that contains the required Perkins closeout information to:

perkinsliquid@ed.gov

The subject of the email notification should include the name of the school, OPEID number and the words "CLOSEOUT AUDIT REPORT."

STEP 7: REMIT THE FEDERAL SHARE

A school must remit the federal share of the remaining Perkins cash asset to the Department.

General Requirements

The final capital distribution (*Federal and Institutional shares*) from a school's program Fund must be made in accordance with Title IV, Part C, Section 466(c) of the HEA. This Section requires a school to return the federal share of a school's Perkins Loan Revolving Fund to the Department. This passage of the HEA is applied to both excess liquid capital procedures for schools with active portfolios and liquidation procedures for schools ending their participation in the Perkins Program.

Due to changes in the matching ratio of the required institutional match or institutional capital contribution (ICC) of the Federal allocation or Federal capital contribution (FCC) from 1992 and forward, the Department's federal share of a school's program Fund will be calculated using the Distributional Shares formula formerly known as the "over-time" formula.

As part of the closeout process within eCB, any federal share of remaining fund will be automatically calculated and notification of any Federal share owed will be communicated along with instructions for returning the federal share to the Department.

**Formula used to Determine Shares of
Remaining Cash Asset
(Perkins Revolving Fund)**

(net FCC)

X Cash on hand = Final Capital Distribution

(net FCC + net ICC)

FCC = Federal Capital Contribution added to the Fund by the Department over period of time (Part III, Section A, Field Item 27)

Repayments of Fund capital to federal government (Part III, Section A, Field Item 28)

net FCC = FCC minus repayments of Fund capital to federal government (Field Item 27 minus Field Item 28)

ICC = Institutional Capital Contribution added by school over period of time this language needs to match the DCL (Part III, Section A, Field Item 29.3)

Repayments of Fund capital to school (Part III, Section A, Field Item 30.3)

net ICC = ICC minus repayments of Fund capital to school (Field Item 29.3 - Field Item 30.3)

Cash on hand (Part III, Section A, Field Item 1.1 or 1.2 as appropriate)

Notice of federal share owed will be sent to the school. The letter is posted to the school's self-service page in eCB.

School should remit federal share owed through G5.

Returning the Federal Share to the Department

Any federal share of remaining capital should be refunded electronically via G5 (<https://www.g5.gov>), using the G5 Miscellaneous Refunds option.

STEP 8: FINAL FISAP DATA

A school must submit final FISAP data. Schools will report the final FISAP activity related to its Perkins program liquidation and closeout using the automated eCB electronic closeout form process online. A school must continue to file its FISAP annually until it can report all final activity. "Final" activity consists of assigning any remaining loans with outstanding balances to the Department or reimbursing the Fund for the purpose of purchasing any loans that are not accepted by the Department, and the distribution of the final capital has been made.

The school will input its final data in Phase 4 of the eCB online closeout form to demonstrate that the total Federal and Institutional shares from the school's program Fund were repaid which would include any additional amounts of repayment from the final cash asset as calculated by the Distributional Shares formula within eCB. The online closeout form streamlines this final step in the liquidation process as it takes the place of the official submission of the final FISAP by the school. When a school submits its data in Phase 4, it affirms that any remaining cash asset was properly repaid and its Perkins Fund closed. Repayments of fund capital to federal government (line 28) and school (line 30.3) should include previously reported amount plus any additional final payment made as a result of liquidation and closeout. The school also enters and affirms that all Perkins Loans have been accounted for—*fully retired, purchased, or assigned*.

OFFICIAL LIQUIDATION COMPLETION LETTER

Once the liquidation and closeout requirements are satisfied, an official letter of approval for liquidation completion and closeout will be issued to your school. The letter will be posted to your schools self-service page in eCB.